

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency

P.O. Box 2415

Washington, DC 20013-2415

**Notice FC-54**

**For:** State and County Offices

**Reviewing Lender's Loan Files Before Consenting to the  
Restructure or Writedown of Guaranteed Loans**

**Approved by:** Deputy Administrator, Farm Credit Programs



**1 Overview**

**A**

**Background**

Recent reviews of guaranteed loan case files revealed that many guaranteed loans are being restructured or written down without concern for whether the account has been serviced according to Agency regulations. As a result, the Agency must reduce lenders' loss claims for errors which should have been addressed when the loan was restructured or written down.

**B**

**Purpose**

This notice requires Agency personnel to review lender's files to ensure compliance with the Lender's Agreement and FmHA Instructions 1980-A and 1980-B, before consenting to a transfer and assumption, restructuring, or writedown of the guaranteed loan.

**Disposal Date**

May 1, 1997

**Distribution**

State Offices; State Offices relay to County  
Offices and Ag Credit Teams

## 2 Action

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### **A** **Reviewing** **Lender's Loan** **File**

The approval official shall review the lender's loan file according to FmHA Instruction 1980-B, Section 1980.130, Administrative B 1 or Section 1980.190(d)(3), before consenting to:

- transfer and assumption (FmHA Instruction 1980-B, Section 1980.123)
- restructuring (FmHA Instruction 1980-B, Section 1980.124)
- writedown (FmHA Instruction 1980-B, Section 1980.125).

These provisions provide for a semi-annual review of certain sampling of a lender's files; however, more problems would be averted if this review is completed before transfer and assumptions, restructuring, or writedowns are approved. This review ensures that the lender has complied with Agency regulations. The review shall be documented using FmHA Guaranteed Ag Lending Agency Handbook, Appendix C, or other similar form.

In addition, for writedowns, SED shall complete the Guaranteed Loan Writedown Review Checklist located in FmHA Guaranteed Ag Lending Agency Handbook, Appendix B, or other similar form.

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### **B** **Completing** **Servicing Action**

If the approval official finds that the lender has serviced the account according to the Lender's Agreement and FmHA Instructions 1980-A and 1980-B, the servicing action may be approved.

FmHA Instruction 1980-B, Section 1980.130, Administrative B 2 and Section 1980.190(d)(3) require that SED be notified of deficiencies found in the review. If the lender is unable or unwilling to correct the deficiencies found in the review, the servicing official should consult with the Agriculture Credit Director through SED.

If a resolution to the problem cannot be worked out, the approval official may approve the transfer and assumption or loan restructuring if the regulations governing the proposed action have been complied with; however, the approval letter must notify the lender that in the event of a loss, the problems found before the restructuring or transfer and assumption will be a factor in the determination of the loss payment.

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**2 Action (Continued)**

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**C**

**Servicing  
Guaranteed  
Writedowns**

Guaranteed writedowns, unauthorized advances, or the value of security which the lender has failed to account for shall be deducted from the loss claim and the lender provided with appeal rights.

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**D**

**Contact**

Direct questions regarding this notice to LSPMD, Guaranteed Loan Servicing Branch, through the Area Office.

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